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SIPDIS

DEPARTMENT FOR EE/TPP/ABT/ATP SPECK
DEPT PASS TO USTR-AGAMA
TREASURY FOR PETERS AND HALL
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USDA/FAS FOR MAURICE HOUSE, DOROTHY ADAMS

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SUBJECT: FAVORABLE RAINS SHOW PROMISE FOR NIGERIA'S
2009 GRAIN HARVEST

REF: A. 08 ABUJA 2169

[1](#)B. 08 ABUJA 2126

[1](#)1. SUMMARY: Favorable rains show promise for a good 2009 grain harvest. Most grain crops were planted in June and farmers hope the rainy season will extend well into October. The visiting Nigeria Desk Officer and accompanying Economic and USAID MARKETS Officers visited farmers in Northern Nigeria to discuss challenges they face this year. These include access to credit and fertilizers, crop price setting, and buy-back arrangements. END SUMMARY.

Favorable Rain Patterns

[1](#)2. The visiting Nigeria Desk Officer and accompanying Economic and USAID MARKETS Officers visited Dawanau Grain Market in Kano, the largest grain market in West Africa, on September 17. They asked market officials about day-to-day operations as the 2009 trading season is expected to be busy due to an abundant harvest. The peak trading season for the market is during the months of March, April, and May.

[1](#)3. The farmers planted crops in June, the rain pattern stabilized in mid-July, and heavier rain occurred in August. Rains continued in September and farmers are hopeful they will extend into October. This is the second year in a row that rain patterns have been beneficial for grain crops. The combination of good rain patterns and expanded areas under cultivation resulted in a bountiful 2008 grain harvest (Reftel B).

Farmers' Challenges

[1](#)4. The Embassy delegation also visited sorghum farmers in Northern Nigeria. Sorghum is one of the targeted crops in the USAID MARKETS program. Nigeria is the world's largest producer of sorghum, followed by the United States. It is becoming an important commodity in the local food and beverage industry and is increasingly being used as a substitute for more expensive and imported raw materials. Sorghum farmers conveyed that their biggest challenges in 2009 were access to credit and fertilizers, price setting for the sale of their crop, and buy-back arrangements.

Accessing Credit Is a Slow Process

[1](#)5. Sorghum farmers expressed frustration with the slow process to obtain loans. Loans are usually not available on time, as the process for applying for credit is long and rigid. Nigerian

Agricultural Cooperative and Rural Development Bank (NACRDB) officials explained the loan process when the Embassy delegation visited their headquarters in Kaduna on September 16. NACRDB is a government bank and works closely with the USAID MARKETS program to access farmers and provide financial assistance to them. USAID also works closely with PHB and Skye banks through a development credit authority (DCA), which provides guarantees to banks for agricultural loans given to farmers.

¶16. The NACRDB bank works with both small and large farmers. Small or micro farmers are those with up to four hectares of land. Applying for financial assistance can take up to four months. The farmers must first visit NACRDB rural offices which, for the farmers visited, are 17 kilometers (10.6 miles) away. The farmer must first open an account with the bank in order to establish a repayment record before applying for the loan. The banker then visits the farm, inspects it, and recommends a loan to the headquarters office, Qfarm, inspects it, and recommends a loan to the headquarters office, which must then approve or disapprove the loan. Providing loans to a group of farmers, or cooperatives, is a more common practice than providing loans to individual farmers as the repayment rate is higher if loans are given to cooperatives than to individuals. The repayment loan rate among small farmers is about 85 percent.

Access to Fertilizers Remains a Problem

¶17. Access to fertilizers has been a challenge for farmers in 2008 and 2009. Fertilizers are too expensive for a farmer to buy on the market, so most fertilizers are subsidized by the government. Unfortunately, the subsidized fertilizer usually does not arrive on time, if at all, as it usually ends up in the hands of politically-connected middlemen (Reftel A).

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Price Setting and Buy-Back Arrangements

¶18. Farmers are unable to store grain for long periods of time, so they are usually obligated to sell their product at the end of the harvest season when the price is low. Since 2005, the USAID MARKETS program has been critical to moving crops through the value chain, and linking farmers with buyers through buy-back arrangements. This approach considers production costs and existing market prices to fix prices for the buy-back. The buy-back price also serves as a price for other actors in the value chain, such as suppliers who buy the produce and transport it to the buyer's warehouse. This way, a farmer is guaranteed that he will not be forced to sell below the production cost.

¶19. Alheri Seeds is one of the agro-business companies that MARKETS linked with the farmers that the delegation visited in Zaria on September 16. Alheri Seeds buys crops directly from individual farmers and cooperatives. The company acts as an extension agent providing advice on farming, demonstrating proper seeding, and collecting crops from farmers.

¶10. Alheri Seeds concentrates on three different types of crops: sorghum; rice; and sesame. The company sells sorghum for malting, rice to processors, and sesame to exporters. Sorghum is grown for food, feed and industrial uses. Rice is sold to local processors, but a substantial amount of the rice consumed in Nigeria is imported due to high demand and low production. Local rice farmers have relatively low yields, averaging just 1.7 tons per hectare. Sesame is an export crop valued at \$20 million per year and is mostly exported to Japan.

¶11. This message was coordinated with ConGen Lagos.

MCCULLOUGH